1. GROUP ORGANISATION AND OPERATIONS

Pacific Plywood Holdings Limited ("the Company") was incorporated in Bermuda on 9th May, 1994.

The Company is an investment holding company. Its subsidiaries (together with the Company hereafter collectively referred to as "the Group") are principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("SEHK") since 20th November, 1995.

The directors of the Company consider SMI International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

2. GOING CONCERN

As at 31st December, 2002, the Group has net current liabilities of approximately $9,607,000 (2001 – $16,531,000) and outstanding bank loans of approximately $80,061,000 (2001 – $78,831,000) of which approximately $13,645,000 (2001 – $17,606,000) is due for repayment within the next twelve months. Subsequent to 31st December, 2002, the Group has successfully renewed for a further year approximately $9,432,000 of the $13,645,000 outstanding bank loans. In addition, the Group has secured additional trade finance banking facilities amounting to approximately $3,420,000.

In order to further improve the Group's immediate liquidity and working capital, the directors have adopted various measures to reduce the Group's cash outflows including minimising capital expenditures and adopting other cost-cutting measures.

2. GOING CONCERN *(Continued)*

In the opinion of the directors, these measures have improved and will continue to improve the Group's working capital and debt maturity profile and therefore the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the twelve months from the balance sheet date. Accordingly, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out as below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of the above revised SSAPs has no material effect to the consolidated accounts.

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(ii) Translation of foreign currencies

In the accounts of the individual companies, transactions in currencies other than the functional currency of the respective company are translated into the respective functional currencies at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in currencies other than the functional currency of the respective company at the balance sheet date are translated into the respective functional currencies at exchange rates ruling at the balance sheet date. All exchange differences arising in these cases are dealt with in the respective companies' profit and loss accounts.

The Group prepares consolidated accounts in United States dollar. For consolidation purposes, the balance sheet of subsidiaries with functional currencies other than United States dollar are translated into United States dollar at the exchange rates ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising from such translation are dealt with as a movement in reserves.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performances, the expenditure is capitalised as an additional cost of the asset.

3. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(c) Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. Leasehold land is depreciated over the period of the respective lease. The annual rates are as follows:

Leasehold land	Over the period of the lease
Buildings	2 – 10%
Leasehold improvements	Over the period of the lease
Plant and machinery	6 – 20%
Furniture, fittings and equipment	10 – 33%
Motor vehicles	12.5 – 20%
Jetty	2%

The useful lives of the assets and depreciation method are reviewed periodically.

Construction-in-progress ("CIP") consists mainly of plant and properties under construction and machinery and equipment pending installation. CIP is stated at cost less accumulated impairment losses. Costs include land costs, construction expenditures incurred, costs of machinery and other direct costs capitalised during the construction and installation period. No depreciation is provided for CIP until the assets are completed and ready for their intended use.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities with the current portion included in current liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under financial leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Trade receivable

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Employee retirement benefits

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate administrated funds. The pension plans are generally funded by payments from employees and by the relevant group companies. Details of the Group's employee retirement benefits are set out in Note 31.

The Group's contributions to defined contribution pension plans are charged to the profit and loss account in the period to which the contributions relate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(iii) Equity compensation benefits

Share options are granted to directors and to employees. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, the discount is recognised in the profit and loss account as a compensation cost and recognised in the balance sheet as an increase to equity. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purpose and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(m) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined to report its primary segment information by geographical locations of assets and secondary segment by products. Details of the Group's segmental information are set out in Note 27 to the accounts.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

4. TURNOVER AND OTHER REVENUE

Revenue recognised during the year are as follows:

	2002 $'000	2001 $'000
Turnover		
Moisture resistant plywood	**34,924**	42,100
Structural	**27,283**	29,299
Jamb and mouldings	**20,508**	17,714
Weather and boil proof plywood	**19,825**	14,349
Flooring	**16,537**	10,116
Veneer	**2,226**	3,613
Others	**146**	549
Total turnover	**121,449**	117,740
Other revenue		
Interest income	**19**	44
Exchange gains	**341**	–
Others	**338**	152
	698	196
Total turnover and other revenue	**122,147**	117,936

4. TURNOVER AND OTHER REVENUE *(Continued)*

Turnover by geographical locations:

	2002	2001
	$'000	*$'000*
Japan	**54,860**	64,172
United States of America	**21,706**	17,661
Europe	**17,677**	17,514
The People's Republic of China ("the PRC")	**15,214**	10,414
Others	**11,992**	7,979
Total turnover	**121,449**	117,740

Turnover by geographical areas is determined on the basis of the location where the merchandise is delivered.

5. OPERATING PROFIT (LOSS)

Operating profit (loss) is stated after charging and crediting the following:

	2002	2001
	$'000	*$'000*
Charging –		
Cost of inventories (exclude provision for slow-moving and obsolete inventories)	**98,163**	101,797
Provision for slow-moving and obsolete inventories	**147**	–
Staff costs (exclude directors' emoluments)		
– Wages and salaries	**2,676**	3,059
– Pension costs *(Note 31)*	**282**	290
Directors' emoluments *(Note 10(a))*	**557**	675
Depreciation of property, plant and equipment		
– owned assets	**9,590**	11,897
– assets held under finance leases	**8**	64
Operating lease expenses on land and buildings	**262**	392
Loss on disposals of property, plant and equipment	**135**	454
Exchange losses, net	**–**	310
Auditors' remuneration	**259**	250
Realised loss on disposal of a subsidiary	**–**	215
Crediting –		
Interest income from bank deposits	**19**	44
Reversal of provision for trade and other receivables	**23**	494
Reversal of provision for amount due from a related party	**–**	259
Exchange gain, net	**341**	–
Realised gain on disposal of a subsidiary	**26**	–

6. FINANCE COSTS

	2002 $'000	2001 $'000
Interest on bank loans	**4,245**	5,820
Interest on other loans wholly repayable within 5 years	**450**	709
Interest element of finance leases	**20**	35
	4,715	6,564

7. TAXATION

The amount of taxation charged (credited) to the consolidated profit and loss account represents:

	2002 $'000	2001 $'000
Current taxation		
– Hong Kong profits tax	**98**	–
– Reversal of tax provision	**(61)**	(1,862)
Deferred taxation *(Note 20)*	**–**	(369)
	37	(2,231)

(a) Income taxes

(i) Bermuda

The Company is exempt from taxation in Bermuda until 28th March, 2016.

(ii) Hong Kong

Hong Kong profits tax has been provided at the rate of 16% (2001 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

7. TAXATION *(Continued)*

(a) Income taxes *(Continued)*

(iii) Malaysia

No taxation has been provided by Manuply Wood Industries (S) Sdn. Bhd. ("Manuply"), the Group's wholly-owned Malaysian subsidiary, because it had unutilised tax allowances to offset its estimated assessable profit for the year ended 31st December, 2002. As at 31st December, 2002, Manuply had aggregate unutilised tax allowances of approximately $37,204,000 (2001 – $37,201,000), which were subject to the approval of the Inland Revenue Board of Malaysia.

(iv) The PRC

The Group's joint venture enterprises established in the PRC are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Furthermore, in accordance with the PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", these PRC joint venture enterprises are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses brought forward from the previous five years. The applicable EIT rate is 33% (30% state unified income tax and 3% local income tax).

No taxation has been provided for as these joint venture enterprises had no estimated assessable profit for the current year.

(v) Others

Other overseas taxation has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

(b) Deferred taxation

There was no significant unprovided deferred taxation as at 31st December, 2002.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately $17,872,000 (2001– $88,940,000) (Note 22).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately $4,620,000 (2001– $61,014,000) and on 5,580,897,243 shares (2001– 5,580,897,243 shares) in issue throughout the year.

No diluted loss per share for the years ended 31st December, 2002 and 2001 are presented as the potential dilutive ordinary shares were anti-dilutive.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors during the year are as follows:

	2002	2001
	$'000	*$'000*
Fees for non-executive directors	**58**	51
Other emoluments for executive directors		
– Basic salaries and allowances	**384**	514
– Other allowances	**6**	6
– Others #	**109**	104
	557	675

Amounts represent consultancy fee paid to a company of which Mr. Lau Kam Hung, an executive director of the Company who retired on 21st June, 2002, is also a director.

Directors' fees disclosed above include approximately $58,000 (2001– $51,000) paid to independent non-executive directors.

(Amounts expressed in United States dollar unless otherwise stated)

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the directors fell within the following bands:

	Number of directors	
	2002 *	2001
Executive directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**3**	3
– $128,201 to $192,300 (HK$1,000,001 to HK$1,500,000)	**–**	–
– $192,301 to $256,400 (HK$1,500,001 to HK$2,000,000)	**–**	–
– $256,401 to $320,500 (HK$2,000,001 to HK$2,500,000)	**–**	–
– $320,501 to $384,600 (HK$2,500,001 to HK$3,000,000)	**1**	–
– $384,601 to $448,700 (HK$3,000,001 to HK$3,500,000)	**–**	–
– $448,701 to $512,800 (HK$3,500,001 to HK$4,000,000)	**–**	1
Non-executive directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**8**	7
	12	11

* *The band analysis is stated after annualising the emoluments paid for those directors who joined, or resigned from, the Group during the year.*

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2001: three) individuals during the year are as follows:

	2002	2001
	$'000	*$'000*
Basic salaries and allowances	**305**	307
Bonus	**38**	39
Contributions to pension schemes	**8**	8
	351	354

The emoluments fell within the following bands:

	Number of individuals	
	2002 *	2001
– Nil to $128,200 (Nil to HK$1,000,000)	**2**	2
– $128,201 to $192,300 (HK$1,000,001 to HK$1,500,000)	**1**	1
– $192,301 to $256,400 (HK$1,500,001 to HK$2,000,000)	**–**	–
– $256,401 to $320,500 (HK$2,000,001 to HK$2,500,000)	**–**	–
– $320,501 to $384,600 (HK$2,500,001 to HK$3,000,000)	**–**	–
– $384,601 to $448,700 (HK$3,000,001 to HK$3,500,000)	**–**	–
– $448,701 to $512,800 (HK$3,500,001 to HK$4,000,000)	**–**	–
	3	3

* *The band analysis is stated after annualising the emoluments paid for those individuals who joined, or resigned from, the Group during the year.*

11. INVESTMENTS IN SUBSIDIARIES

	2002	2001
	$'000	*$'000*
Unlisted shares, at cost	**29,649**	29,649
Amount due from subsidiaries	**–**	110,889
Amount due to a subsidiary	**–**	(4,763)
	29,649	135,775
Less: provision for impairment in value	**–**	(88,352)
	29,649	47,423

The following is a list of the significant subsidiaries as at 31st December, 2002:

Name	**Place of incorporation and legal form of the entity**	**Principal activities and place of operation**	**Particulars of issued share capital/ paid up capital**	**Interest held**	
				Directly	**Indirectly**
Ankan Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding, BVI	$45,000	100%	–
Ankan (China) Holdings Limited	BVI, limited liability company	Investment holding, BVI	$100	100%	–
Changchun Winpro Wood Industries Co., Ltd. *(Note (a))*	PRC, equity joint venture *(Note (1))*	Manufacture and sale of plywood, PRC	Renminbi ("RMB") 52,700,000	–	82.25%
Dalian Global Wood Products Company Limited *(Note (b))*	PRC, co-operative joint venture *(Note (2))*	Manufacture and sale of wood products, PRC	$29,600,000	–	100%

(Amounts expressed in United States dollar unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and legal form of the entity	Principal activities and place of operation	Particulars of issued share capital/ paid up capital	Interest held	
				Directly	Indirectly
Dragon Venture Holdings Limited	BVI, limited liability company	Investment holding, BVI	$10,000,000	–	100%
Farship International Limited	BVI, limited liability company	Investment holding, BVI	$2	–	100%
Georich Trading Limited	BVI, limited liability company	Trading of veneer and plywood, Hong Kong	$2,510,000	–	100%
Jilin Newco Wood Industries Co., Ltd. *(Note (c))*	PRC, equity joint venture *(Note (1))*	Manufacture and sale of parquet floor, PRC	RMB306,125,332	–	75%
Manuply Wood Industries (S) Sdn. Bhd.	Malaysia, limited liability company	Manufacture and sale of veneer and plywood, Malaysia	Malaysian Ringgit 55,000,000	–	100%
Pacific Plywood Limited	Samoa, limited liability company	Trading of plywood and other wood products, Hong Kong	$1	–	100%
SMI Global Corporation	United States of America, limited liability company	Trading of wood products, United States of America	$1,000	–	100%
SMI Management & Co. Pte. Ltd.	Singapore, limited liability company	Property holding and provision of management service, Singapore	Singapore dollar 8,000,000	–	100%
Sino Realm Investments Limited	BVI, limited liability company	Investment holding, BVI	$1	–	100%

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(1) An equity joint venture is a joint venture in which the joint venture partner's profit sharing ratios and shares of net assets upon the expiration of the joint venture period are in proportion to their equity interests set out in the joint venture agreement.

(2) A co-operative joint venture is an entity established between the Group and one or more other parties for a pre-determined period of time, with the rights and obligations of the joint venture partners governed by the joint venture agreement.

(a) Changchun Winpro Wood Industries Co., Ltd. ("Changchun Winpro") is an equity joint venture established in the PRC with an operating period of 30 years up to November 2024.

(b) Dalian Global Wood Products Company Limited ("Dalian Global") is a co-operative joint venture established in the PRC with an operating period of 20 years up to November 2015.

Under the joint venture agreement, the PRC joint venture partner is entitled to receive a pre-determined annual fee but is not entitled to otherwise share in the profit of the joint venture (Note 28(c)).

As the Group is able to govern and control the financial and operating policies governing the economic activities of Dalian Global, it is considered as a subsidiary and is accounted for as such.

(c) Jilin Newco Wood Industries Co., Ltd. ("Jilin Newco") is an equity joint venture established in the PRC with an operating period of 30 years up to December 2025.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

Group

	2002								2001
	Land and buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Jetty $'000	CIP $'000	Total $'000	Total $'000
Cost									
Beginning of year	49,174	434	168,761	2,758	2,227	1,562	4,652	229,568	228,767
Disposal of subsidiaries	-	-	(8,901)	-	(44)	-	(3,535)	(12,480)	(443)
Additions	279	-	2,751	186	285	-	537	4,038	9,540
Disposals	-	(26)	(1,088)	(53)	(444)	-	(128)	(1,739)	(1,359)
Transfers	487	-	164	58	-	-	(709)	-	–
Others	-	-	-	-	-	-	-	-	(5,866)
Exchange adjustment	989	26	(3)	53	-	-	-	1,065	(1,071)
End of year	50,929	434	161,684	3,002	2,024	1,562	817	220,452	229,568
Accumulated depreciation									
Beginning of year	5,423	98	43,561	1,503	1,269	262	-	52,116	41,403
Disposal of subsidiaries	-	-	-	-	(13)	-	-	(13)	(443)
Charge for the year	1,034	41	7,928	337	227	31	-	9,598	11,961
Disposals	-	(26)	(554)	(47)	(261)	-	-	(888)	(571)
Exchange adjustment	93	6	4	20	-	-	-	123	(234)
End of year	6,550	119	50,939	1,813	1,222	293	-	60,936	52,116
Accumulated impairment loss									
Beginning of year	8,541	-	40,724	-	31	-	3,498	52,794	–
Disposal of subsidiaries	-	-	(8,438)	-	(31)	-	(3,498)	(11,967)	–
Charge for the year	-	-	347	-	-	-	-	347	52,794
Exchange adjustment	(1)	-	(3)	-	-	-	-	(4)	–
End of year	8,540	-	32,630	-	-	-	-	41,170	52,794
Net book value									
End of year	35,839	315	78,115	1,189	802	1,269	817	118,346	124,658
Beginning of year	35,210	336	84,476	1,255	927	1,300	1,154	124,658	187,364

12. *PROPERTY, PLANT AND EQUIPMENT* *(Continued)*

Company

	2002			2001
	Furniture, fittings and equipment	**Motor vehicles**	**Total**	Total
	$'000	***$'000***	***$'000***	*$'000*
Cost				
Beginning of year	**52**	**251**	**303**	584
Additions	**–**	**–**	**–**	–
Disposals	**–**	**(251)**	**(251)**	(281)
End of year	**52**	**–**	**52**	303
Accumulated depreciation				
Beginning of year	**46**	**126**	**172**	418
Charge for the year	**6**	**25**	**31**	35
Disposals	**–**	**(151)**	**(151)**	(281)
End of year	**52**	**–**	**52**	172
Net book value				
End of year	**–**	**–**	**–**	131
Beginning of year	**6**	**125**	**131**	166

Certain property, plant and equipment of the Group with a net book value of approximately $103,738,000 (2001 – $108,011,000) have been pledged as security for certain of the Group's banking facilities (Note 30(a)).

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Certain plant and machinery of the Group with a net book value of approximately $309,000 (2001 – $889,000) included above were purchased under finance leases.

All land and buildings held by the Group are situated outside Hong Kong and the details of the net book values by location are as follows:

	2002	2001
	$'000	*$'000*
Land and buildings		
Singapore – Freehold	**14,375**	13,788
Malaysia – Leases of over 50 years	**13,688**	14,016
The PRC – Leases of between 10 to 50 years [Note 1]	**3,238**	3,240
Buildings only		
The PRC [Note 2]	**4,538**	4,166
	35,839	35,210

Note 1 *Land of two subsidiaries located at Jilin province, PRC are held in the form of land use rights. Land use rights comprise land use fees paid for the right to use the land where the Group's factory buildings in the PRC are located. As at 31st December, 2002, the remaining period of the land use rights is summarized as follows:*

	Net book value of land and building located in the PRC		Remaining period of the respective land use right	
	2002	2001	**2002**	2001
	$'000	*$'000*	**Years**	*Years*
Changchun Winpro	**3,181**	3,203	**34**	35
Jilin Newco				
– Land 1 #	**–**	–	**23**	24
– Land 2 ##	**57**	37	**N/A**	N/A
	3,238	3,240		

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

\# *Full impairment losses amounting to approximately $5,864,000 had been provided for the land and buildings of Jilin Newco in 2001.*

\## *The remaining amount of $57,000 (2001 – $37,000) represents net book value of land and building of the factory premises of the Group in Jilin Province, the PRC, for which the Group is in the process of applying for the formal land use right certificate.*

Note 2 *This represents the buildings of Dalian Global. The respective land use right of the land on which these buildings are located belongs to the Chinese joint venture partner of Dalian Global.*

13. IMPAIRMENT

Management forecasts have indicated that the performance of the Group's PRC subsidiaries was below originally planned. Detailed discounted future cashflow analyses had therefore been prepared to determine whether there was any impairment of assets for those subsidiaries. The impaired assets, including property, plant and equipment and other non-current assets, had been written down to their recoverable value. For the year ended 31st December, 2002, the Group had recorded impairment losses for property, plant and equipment and other non-current assets amounting to approximately $347,000 (2001 – $55,577,000) in the profit and loss account.

14. INVENTORIES

	2002	2001
	$'000	*$'000*
Raw materials	**7,312**	6,545
Work-in-progress	**5,451**	5,361
Finished goods	**8,288**	6,435
	21,051	18,341
Less: Provision for slow moving and obsolete inventories	**(147)**	(200)
	20,904	18,141

As at 31st December, 2002, the amount of inventories carried at net realisable value was approximately $6,735,000 (2001 – $4,389,000).

14. INVENTORIES *(Continued)*

As at 31st December, 2002, inventories of approximately $10,290,000 (2001: $11,319,000) were subject to floating charges as collateral for certain of the Group's banking facilities (Note 30(b)).

15. TRADE RECEIVABLES

	2002	2001
	$'000	*$'000*
0 – 30 days	**9,899**	6,154
31 – 60 days	**4,204**	2,431
61 – 90 days	**787**	111
91 – 180 days	**339**	104
181 – 360 days	**78**	74
Over 360 days	**3,438**	3,340
	18,745	12,214
Less: Provision for doubtful receivables	**(3,186)**	(3,622)
	15,559	8,592

The Group offers credit terms ranging from 30 to 180 days to its customers. Management of the Group performs ongoing credit and collectibility evaluations of each customer and makes provisions for potential credit losses.

16. TRADE PAYABLES

	2002	2001
	$'000	*$'000*
0 – 30 days	**9,132**	6,064
31 – 60 days	**4,046**	3,328
61 – 90 days	**3,057**	2,661
91 – 180 days	**5,837**	4,247
181 – 360 days	**565**	46
Over 360 days	**499**	632
	23,136	16,978

17. ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables of the Group is a loan of $3,100,000 (2001 – $4,200,000) from a national asset management company set up by the Malaysian government.

As at the date of this report, the loan from the national asset management company was overdue. The Group is working with the national asset management company to reschedule the repayment terms. However, the detailed terms and legal documents have not yet been finalised and therefore the whole amount of this loan has been classified under current liabilities.

As at 31st December, 2002, the loan bore interest at SIBOR plus 2% per annum and was secured by a personal guarantee given by a director (Note 30(d) and Note 32(b)).

18. BANK LOANS

(a) Short-term bank loans – all secured

	2002 $'000	2001 $'000
Trust receipts loans	–	1,815
Bank acceptance receipt loans	3,150	–
Short-term bank loans	7,719	7,257
	10,869	9,072

As at 31st December, 2002, short-term bank loans (including bank acceptance receipt loans) bore interest at commercial banking rates ranging from 3.125% to 8.4% (2001 – 3.125% to 8.4%) per annum and were secured by pledges of certain of the Group's property, plant and equipment (Note 12) and corporate guarantees given by the Company and the Chinese joint venture partner of Jilin Newco (Note 30(c)).

(b) Long-term bank loans – all secured

	2002 $'000	2001 $'000
Bank loans repayable within a period		
– not exceeding 1 year	2,776	8,534
– more than 1 year but not exceeding 2 years	11,866	12,855
– more than 2 years but not exceeding 5 years	49,367	38,602
– beyond 5 years	5,183	9,768
	69,192	69,759
Less: Amount due within 1 year included in current liabilities	(2,776)	(8,534)
	66,416	61,225

18. BANK LOANS *(Continued)*

(b) Long-term bank loans – all secured *(Continued)*

	2002	2001
	$'000	*$'000*
Bank loans		
– wholly repayable within 5 years	**61,568**	–
– not wholly repayable within 5 years	**7,624**	69,759
	69,192	69,759
Less: Amount due within 1 year included in current liabilities	**(2,776)**	(8,534)
	66,416	61,225

As at 31st December, 2002, long-term bank loans bore interest at commercial banking rates ranging from 3.81% to 8.40% (2001 – 5.50% to 10.20%) per annum and were secured by pledges of certain of the Group's property, plant and equipment (Note 12), corporate guarantees given by the Company (Note 30(c)), and a personal guarantee given by a director of the Company (Note 30(d)).

19. OBLIGATIONS UNDER FINANCE LEASE

As at 31st December, 2002, the Group's finance lease liabilities, net of finance lease charges, were repayable as follows:

	2002	2001
	$'000	*$'000*
Future minimum payments payable within a period		
– not exceeding 1 year	**383**	632
– more than 1 year, but not exceeding 2 years	**84**	94
– more than 2 years, but not exceeding 5 years	**53**	–
	520	726
Less: Amounts payable within 1 year included under accruals and other payables	**(383)**	(632)
	137	94

20. DEFERRED TAXATION

Movements of deferred taxation are as follows:

	2002	2001
	$'000	*$'000*
Beginning of year	**13**	382
Reversal of net timing differences	**–**	(369)
End of year	**13**	13

Deferred taxation represents the taxation effect of accelerated depreciation allowances.

21. SHARE CAPITAL

The details of share capital are as follows:

	Number of shares		Amount	
	2002	2001	**2002**	2001
	'000	*'000*	***$'000***	*$'000*
Authorised –				
Ordinary shares				
of HK$0.025 each	**8,000,000**	8,000,000	**25,806**	25,806
Issued and fully paid –				
Ordinary shares				
of HK$0.025 each	**5,580,897**	5,580,897	**18,037**	18,037

22. RESERVES

Group

	Share premium $'000	Contributed surplus $'000 (Note 23)	Warrant subscription reserve $'000 (Note 25)	Cumulative translation adjustments $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2001	90,652	7,814	1,400	(4,056)	(7,214)	88,596
Loss attributable to shareholders for the year	–	–	–	–	(61,014)	(61,014)
Translation adjustments	–	–	–	176	–	176
As at 31st December, 2001	90,652	7,814	1,400	(3,880)	(68,228)	27,758
Loss attributable to shareholders for the year	–	–	–	–	(4,620)	(4,620)
Transfer *(Note 25)*	–	–	(1,400)	–	1,400	–
Translation adjustments	–	–	–	(2)	–	(2)
As at 31st December, 2002	90,652	7,814	–	(3,882)	(71,448)	23,136

Company

	Share premium $'000	Contributed surplus $'000 (Note 23)	Warrant subscription reserve $'000 (Note 25)	Cumulative translation adjustments $'000	Retained earnings (Accumulated losses) $'000	Total $'000
As at 1st January, 2001	90,652	21,122	1,400	–	3,524	116,698
Loss attributable to shareholders for the year	–	–	–	–	(88,940)	(88,940)
As at 31st December, 2001	90,652	21,122	1,400	–	(85,416)	27,758
Loss attributable to shareholders for the year	–	–	–	–	(17,872)	(17,872)
Transfer *(Note 25)*	–	–	(1,400)	–	1,400	–
As at 31st December, 2002	90,652	21,122	–	–	(101,888)	9,886

As at 31st December, 2002, the Company did not have any reserve available for distribution to the shareholders.

23. CONTRIBUTED SURPLUS

Contributed surplus of the Group represents the difference between the nominal value of the equity of the subsidiary acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor.

Contributed surplus of the Company represents the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders.

24. SHARE OPTIONS

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the SEHK, the Company has adopted a new share option scheme (the "New Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002, superseding the previous one. Details of which have been set out in the "Letter from the Board" dated 13th May, 2002.

Under the New Scheme, the Company may grant options to whom, in the absolute discretion of the Board, has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the number of shares in issue at the date of approval of the option scheme.

(Amounts expressed in United States dollar unless otherwise stated)

24. SHARE OPTIONS *(Continued)*

Details of the share options outstanding as at 31st December, 2002 were as follows:

				Number of shares to be issued under options granted under the share option scheme			
Name	Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted during the year	Exercised during the year	End of year
Mr. Budiono Widodo	31st May, 1996	1st December, 1996 to 30th November 2006	HK$0.260	88,000,000	–	–	88,000,000
Mr. Liao Yun Kuang	26th August, 1999	14th March, 2000 to 13th March, 2010	HK$0.129	40,800,000	–	–	40,800,000
Mr. Peng Chiu Ching	26th August, 1999	14th March, 2000 to 13th March, 2010	HK$0.129	31,000,000	–	–	31,000,000
Continuous Contract Employees	26th August, 1999	14th March, 2000 to 13th March, 2010	HK$0.129	24,500,000	–	–	24,500,000
Others	26th August, 1999	14th March, 2000 to 13th March, 2010	HK$0.129	47,000,000	–	–	47,000,000
				231,300,000	–	–	231,300,000

25. WARRANTS

On 23rd March, 2000, the Company issued 570,000,000 unlisted warrants at HK$0.02 each, resulting in net proceeds of approximately $1,400,000 after deduction of related issuance expenses of approximately $65,000. Such warrants are exercisable at an exercise price of HK$0.18 per share on the basis of one warrant for one ordinary share of the Company at any time from 23rd March, 2000 to 30th September, 2002 inclusive.

Movement in warrants during the year was as follows:

		Number of shares to be issued under warrants			
Date of issue	**Subscription price per share**	**Beginning of year**	**Exercised during the year**	**Lapsed during the year**	**End of year**
		'000	*'000*	*'000*	*'000*
23rd March, 2000	HK$0.18	570,000	–	(570,000)	–

Upon the lapse of the 570,000,000 warrants on 30th September, 2002, the related warrant subscription reserve of $1,400,000 was transferred to realised reserve as a reserve movement.

26. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash generated from operations:

	2002	2001
	$'000	*$'000*
Loss before taxation	**(4,583)**	(70,874)
Adjustment for:		
Depreciation	**9,598**	11,961
Impairment of property, plant and equipment and other non-current assets	**347**	55,577
Impairment of goodwill	**–**	4,281
Interest expense	**4,715**	6,564
Interest income from bank deposits	**(19)**	(44)
Reversal of provision for trade, prepayments and other receivables	**(23)**	(753)
Provision for slow-moving and obsolete inventories	**147**	–
Loss on disposal of property, plant and equipment	**135**	454
Realised (gain) loss on disposal of subsidiaries	**(26)**	215
Operating profit before working capital changes	**10,291**	7,381
(Increase) decrease in inventories	**(2,929)**	2,512
Increase in prepayments and other receivables	**(1,303)**	(742)
(Increase) decrease in trade receivables	**(6,600)**	1,843
Decrease in due from related parties	**–**	72
Increase (decrease) in trade payables	**6,161**	(183)
Increase (decrease) in accruals and other payables	**2,381**	(2,371)
Net cash inflow generated from operations	**8,001**	8,512

26. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year is as follows:

	Short-term and long-term bank loans *$'000*	Other loan *$'000*	Finance leases *$'000*	Total *$'000*
As at 1st January, 2001	77,094	5,100	419	82,613
New bank loans	3,215	–	–	3,215
Repayment of bank loans	(1,478)	(900)	–	(2,378)
New finance leases	–	–	544	544
Repayment of principal portion of finance leases	–	–	(237)	(237)
As at 31st December, 2001	78,831	4,200	726	83,757
New bank loans	3,834	–	–	3,834
Repayment of loans	(3,393)	(1,100)	–	(4,493)
New finance leases	–	–	206	206
Repayment of principal portion of finance leases	–	–	(413)	(413)
Exchange difference	789	–	1	790
As at 31st December, 2002	80,061	3,100	520	83,681

(c) **Significant non-cash transactions**

During the year, the Group entered into finance leases of approximately $206,000 in respect of the acquisition of property, plant and equipment.

26. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Disposals of subsidiaries

	2002	2001
	$'000	*$'000*
Net assets disposed of		
Due from shareholder	**–**	1,320
Inventories	**19**	–
Prepayment and other receivables	**659**	31
Property, plant and equipments	**500**	–
Accruals and other payables	**(1,076)**	–
Trade payables	**(3)**	–
Cumulative translation adjustments	**(10)**	184
	89	1,535
Gain (Loss) on disposal of subsidiaries	**26**	(215)
	115	1,320
Satisfied by:		
Assignment of amount due from shareholder	**–**	1,320
Cash	**115**	–
	115	1,320

27. SEGMENTAL INFORMATION

Primary segment by geographical locations of operations:

	2002					
	The PRC $'000	Hong Kong $'000	Singapore $'000	Malaysia $'000	Elimination $'000	Consolidated $'000
Turnover						
– External	50,897	2,925	–	67,627	–	121,449
– Inter-segment	25	–	–	1,138	(1,163)	–
Total turnover	50,922	2,925	–	68,765	(1,163)	121,449
Result						
Segment result	(3,223)	(197)	325	4,188	–	1,093
Impairment of property, plant and equipment	(347)	–	–	–	–	(347)
Unallocated corporate expenses						(614)
Operating profit						132
Finance costs						(4,715)
Taxation						(37)
Loss before minority interests						(4,620)
Assets						
Segment assets	50,356	1,146	15,540	184,313	(90,317)	161,038
Unallocated corporate assets						208
						161,246
Liabilities						
Segment liabilities	113,471	145	15,066	78,774	(90,317)	117,139
Unallocated corporate liabilities						1,934
						119,073
Other information						
Impairment losses recognized in the profit and loss account	347	–	–	–	–	347
Capital expenditures	2,255	36	1	1,746	–	4,038
Unallocated capital expenditures						–
						4,038
Depreciation	1,769	7	519	7,273	–	9,568
Unallocated depreciation						30
						9,598

27. SEGMENTAL INFORMATION *(Continued)*

	2001					
	The PRC	**Hong Kong**	**Singapore**	**Malaysia**	**Elimination**	**Consolidated**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Turnover						
– External	47,603	4,915	–	65,222	–	117,740
– Inter-segment	–	–	–	139	(139)	–
Total turnover	47,603	4,915	–	65,361	(139)	117,740
Result						
Segment result	(5,168)	(233)	(28)	1,565	–	(3,864)
Impairment of property, plant and equipment and other non-current assets	(55,577)	–	–	–	–	(55,577)
Unallocated corporate expenses						(4,869)
Operating loss						(64,310)
Finance costs						(6,564)
Taxation						2,231
Loss before minority interests						(68,643)
Assets						
Segment assets	44,993	2,913	15,892	177,002	(82,684)	158,116
Unallocated corporate assets						267
						158,383
Liabilities						
Segment liabilities	97,597	787	15,860	78,132	(82,684)	109,692
Unallocated corporate liabilities						1,896
						111,588
Other information						
Impairment losses recognized in the profit and loss account	55,577	–	–	–	–	55,577
Capital expenditures	1,428	–	662	2,616	–	4,706
Unallocated capital expenditures						–
						4,706
Depreciation	4,104	–	507	7,315	–	11,926
Unallocated depreciation						35
						11,961

27. SEGMENTAL INFORMATION *(Continued)*

Secondary segment by products:

	2002				2001			
	Turnover	Operating profit (loss)	Assets	Capital expenditures	Turnover	Operating profit (loss)	Assets	Capital expenditures
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Moisture resistant plywood	34,924	1,946	50,936	1,063	42,100	278	65,062	1,740
Structural	27,283	1,178	29,958	612	29,299	(930)	31,161	618
Jamb & mouldings	20,508	829	19,823	183	17,714	34	16,556	134
Weather and boil proof plywood	19,825	568	27,509	505	14,349	518	21,447	564
Flooring	16,537	(433)	14,199	741	10,116	(1,753)	5,854	176
Veneer	2,226	(39)	2,029	37	3,613	(211)	410	–
Others	146	(44)	771	14	549	36	2,928	77
Unallocated	–	(3,873)	16,021	883	–	(62,282)	14,965	1,397
Total	121,449	132	161,246	4,038	117,740	(64,310)	158,383	4,706

28. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments which were not provided for in the accounts:

	2002	2001
	$'000	$'000
Plant and machinery		
– Authorised and contracted for	–	84
– Authorised but not contracted for	214	–
	214	84

28. COMMITMENTS *(Continued)*

(b) Lease commitments

As at 31st December, 2002, the Group had future aggregate minimum lease payments in respect of land and buildings under various non-cancellable operating leases arrangements as follows:

	2002	2001
	$'000	*$'000*
Lease expiring		
– No later than 1 year	**233**	426
– Later than 1 year and not later than 5 years	**400**	655
– Later than 5 years	**997**	1062
	1,630	2,143

(c) Other commitments

Under the agreement with the joint venture partners of the Group's PRC subsidiaries, the Group has committed to pay pre-determined annual fees to the PRC joint venture partners up to May 2015.

	2002	2001
	$'000	*$'000*
Payable during the following period:		
– No later than 1 year	**657**	606
– Later than 1 year and not later than 5 years	**2,628**	2,433
– Later than 5 years	**3,858**	5,896
	7,143	8,935

29. CONTINGENT LIABILITIES

Contingent liabilities (not provided for in the accounts) comprised:

	Group		Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Discounted bills with recourse	**445**	1,215	**–**	–
Corporate guarantee given to banks for banking facilities granted to subsidiaries	**–**	–	**69,156**	69,759
	445	1,215	**69,156**	69,759

30. BANKING FACILITIES

As at 31st December, 2002, the Group had aggregate banking facilities as follows:

	2002			
	Utilised	**Unutilised**	**Total facilities**	*Note*
	$'000	***$'000***	***$'000***	
– Bank Loan	**74,076**	**1,740**	**75,816**	*(a), (b), (c) and (d)*
– Loan from an assets management company *(Note 17)*	**3,100**	**–**	**3,100**	*(d)*
– Trade facilities	**6,798**	**11,295**	**18,093**	*(a), (b) and (d)*
	83,974	**13,035**	**97,009**	

30. BANKING FACILITIES *(Continued)*

	2001			
	Utilised	Unutilised	Total facilities	*Note*
	$'000	*$'000*	*$'000*	
– Bank loans	74,031	1,118	75,149	*(a), (b), (c) and (d)*
– Loan from an assets management company *(Note 17)*	4,200	900	5,100	*(d)*
– Trade facilities	6,742	6,337	13,079	*(a), (b) and (d)*
	84,973	8,355	93,328	

The above facilities were secured by:

(a) Pledges of certain of the Group's property, plant and equipment with a net book value of approximately $103,738,000 (2001 – $108,011,000);

(b) Floating charges on certain of the Group's inventories of approximately $10,290,000 (2001 – $11,319,000) and bank balances of approximately $74,000 (2001 – $230,000);

(c) Corporate guarantees given by the Company and the Chinese joint venture partner of Jilin Newco; and

(d) A personal guarantee given by a director of the Company.

31. PENSION SCHEMES

The employees of the Singapore and Malaysia subsidiaries are members of the Central Provident Funds operated by the governments of those countries. The subsidiaries are required to contribute a percentage in the range of 12% to 20% of their covered payroll to the Central Provident Funds (the "Funds"). The only obligation of the Group with respect to the Funds is the required contributions to the Funds and there is no forfeiture of contributions under the schemes.

As stipulated by the rules and regulations in the PRC, the Group is required to contribute to a state-sponsored retirement plan for its PRC employees at a rate ranging from 19% to 25% of the basic salary predetermined by the local government. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the contributions.

The Group's subsidiary in the United States of America is required to contribute 7.5% of the basic salary of the employees to the federal government of the United States of America for social security purposes.

Under the Hong Kong Mandatory Provident Scheme, a defined contribution scheme managed by an independent trustee, the Group's subsidiary operates in Hong Kong and its employees each make monthly contributions to the scheme at 5% of the employees' cash income as defined under the Mandatory Provident Fund legislation. Contributions by both the Hong Kong subsidiary and its employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation.

The aggregate amount of pension expense incurred by the Group is as follows:

	2002	2001
	$'000	*$'000*
Gross employer's contributions	**282**	290

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

During the year ended 31st December, 2002, major related party transactions were as follows:

a. During the year, the Group paid fees of approximately $109,000 (2001– $104,000) to Shine Faith Consultants Limited, a company of which Mr. Lau Kam Hung, an executive director of the Company who retired on 21st June, 2002, is also a director, for consultancy services provided during the year ended 31st December, 2002 (Note 10(a)).

b. Certain bank loans of approximately $69,156,000 (2001 – $69,759,000) and a loan from a national asset management company set up by the Malaysian government approximately $3,100,000 (2001 – $4,200,000) (Note 17) are secured by a personal guarantee given by a director of the Company.

33. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform to the current year presentation.

34. APPROVAL OF FINANCIAL STATEMENTS

The accounts were approved and authorised for issue by the board of directors on 11th April, 2003.